

Electrical Rate Review Meeting Notes

September 6, 2006

12:00 p.m. Noon
Boards and Commissions Room (L2-80)
City Hall, 600 4th Avenue, Seattle

Topic

Questions/comments

Wheeling Cost up 17 percent

Mostly due to B.P.A. rates going up

Also Regional Transmission Organization (RTO) issues - are admin. costs associated?

Commercial Forecast

Haven't heard anything back yet.

Expect follow-up on this.

Capital Budget – Cost Benefit Analysis

Delay in getting all of the information from City Light analysis

Capital budget will be coming in September. Can't comment until then.

Environmental Mitigation Expenditures – Environmental Impacts – Are coal and other plants emissions credited to City Light?

This is an ongoing discussion.

No O & M bump set for 2009 – why?

Probably because the city does not have information yet.

Follow up with that question as well.

Will the Viaduct project be completed as soon as predicted in this proposal?

There is a \$31 million/month penalty to delay on Alaskan Way Viaduct and 520 replacement.

Biggest risk to project is indecision.

Begin utility relocation in 2008. Expert Review Panel talked about how to reduce the risk by making a decision on the project by Dec. 31, 2006 with further design work (15-20 percent design) by June 30, 2008.

Because of this, relocation work will certainly have started by then.

Plan will be decided on by December 31, 2006. Design will move forward from there and continue.

Haven't seen City Light estimates, so we don't know if it's what they're going to approve; no decision on reimbursement yet.

Retail revenues and wholesale revenues (95 percent confidence)

Varies because of the wholesale market. (Risk premium added to account because they are unsure about wholesale revenues.)

In the past five years downtown rates are up 20 percent.

Round Robin:

Utility reimbursement for Viaduct?

Probably Seattle City Council will decide.

When will we review financial policies?

Plan to review regularly.

Suggestion to have an open data-room from City Light to share data.**Revenue Forecast & Retail Sales Revenue:**

Commercial sales? Don't have the answers right now

Are industrial numbers dropping almost 10 percent because the rate is proposed to drop?

Capital Improvement Program:

What will the impact on the customers be and how will this affect construction projects?

Why is there a budget line that reads "all others?" Should be more specific.

Judge each project on its own merit. Don't lump them all together.

What about substation funding?

"All others" is too large a category.

Cost of projects to be paid by those benefiting (not including new growth).

Viaduct payment and rate process? Seattle City Council will decide, impact will be small in '07.

Sound Transit relations – City Light has been reimbursed for most of these costs.

"All others" includes what? Minor improvement projects, distribution related projects

Today's plans will have a lasting effect.

Will this include expansion into South Lake Union? No S.L.U. numbers yet to work with

Network expansion into South Lake Union—numbers will show up later.

Stay competitive and balance the expansion and load growth.

Debt Management:

Address all moving parts to keep the balance within City Light

With \$210 million on hand, pay down the debt if the numbers are correct

Keep paying down the debt

Debt Ratio:

Debt is ok as long as it is managed

Municipal debt is relatively cheap – take advantage of this

Keep the current course – don't buy too much

Municipal debt should not be used for O & M

Cash management:

Rates are higher with too much cash on hand

Don't hold too much cash – allows for cost control to get lazy

Keep cash low to keep the cost control tightly controlled

How much cash to be kept on hand?

Keep reserves for emergencies – the numbers will vary

This is a policy question

Stay with the \$25-\$30 million – do not increase this

Cash reserves and net income work together

Have just enough to keep the reserves up

The risk premium is built into the rates

B.P.A. has low rates in good years and higher rates in drought years – people are ok with this risk

This keep users from using excessive power during droughts

Public Power Rate of Return:

7% return built in – on equity

Return in for stockholders – City Light made it explicit and lowered it – the stockholders are also the rate payers

Why are rate payers paying more just to get a 7% return?

Power supply – sources of power:

Other purchase power – Kalamath Falls and others have been cancelled

Sum of City Light's power – will get numbers, currently has enough power to serve all customers

Sometimes purchase power to resell when rates go up to turn a profit

Sometimes purchase in advance of possible low-power months

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